

State of Idaho

Legislative Services Office

Individual Entity Audit Report

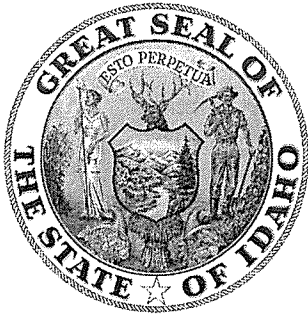
A communication to the Joint Finance-Appropriations Committee

PANHANDLE HEALTH DISTRICT (I)

FY 2006-2007

Report OP95107
Date Issued: January 29, 2010

Serving Idaho's Citizen Legislature



Don H. Berg, Manager

Idaho Legislative Services Office
Legislative Audits Division

PANHANDLE HEALTH
DISTRICT (I)

SUMMARY

PURPOSE OF AUDIT REPORT

We have audited the financial statements of the Panhandle Health District (I) for the fiscal years ended June 30, 2006 and 2007, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the District's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

CONCLUSION

We conclude that District's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the District's financial statements.

FINDINGS AND RECOMMENDATIONS

There are six findings and recommendations in this report, four of which are federal findings.

Non-Federal Findings

- 2007S-1 Significant errors and omissions existed in the basic financial statements and notes due to poor internal controls.
- 2007S-2 Approval for some expenditure transactions was inappropriate or missing.

Federal Findings

- 2007F-1. Significant omissions existed in the federal financial schedule due to poor internal controls.
- 2007F-2 Approval for some expenditure transactions was inappropriate or missing.
- 2007F-3 Benefits under the WIC program can be issued in excess of allowable amounts in error.
- 2007F-4 Eligibility data for some WIC clients is incomplete or missing.

The complete non-federal findings are detailed on pages 27 through 30, and details for the federal findings are on pages 30 through 33.

A copy of this report is available at <http://www.legislature.idaho.gov/audit/auditsummaries.htm>.

PRIOR FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations in the prior report.

AGENCY RESPONSE

The District has reviewed the report and its responses to the findings are included in this report.

OTHER INFORMATION

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho, the Panhandle Health District (I), and the District's Board, and is not intended to be used by anyone other than these specified parties.

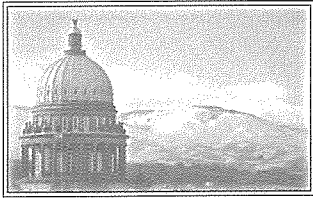
We appreciate the cooperation and assistance given to us by the director, Jeanne Bock, and her staff.

ASSIGNED STAFF

Eugene Sparks, CPA, CGFM, Managing Auditor
Kathleen Watkins, CPA, In-Charge Auditor
Wade Kimball, Staff Auditor
Kyle Wilmot, Staff Auditor
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Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

January 29, 2010

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Jeanne Bock, Director
Panhandle Health District (I)
8500 N. Atlas Road
Hayden, ID 83835

Marlow Thompson, Chair
District I Board of Health
160 S. Fork Hagerman Creek Road
Tensed, ID 83870

Dear Ms. Bock and Mr. Thompson:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Panhandle Health District (I), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the major fund and the remaining fund information of the District as of June 30, 2006 and 2007, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2010, on our consideration of the District's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of

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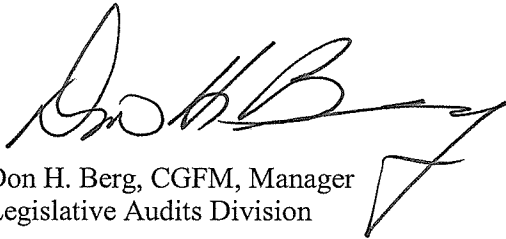
an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

The District has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on pages 16 and 17 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by *OMB Circular A-133*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a stylized flourish extending from the end of the signature.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I)
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006 AND 2007

	June 30, 2006 Governmental Activities	June 30, 2007 Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$763,278	\$90,092
Investments	3,561,564	3,314,963
Accounts Receivable, Net	1,315,350	1,369,255
Capital Assets:		
Non-depreciable	655,631	1,135,027
Depreciable, Net	7,672,234	7,312,218
Total Assets	<u>\$13,968,057</u>	<u>\$13,221,555</u>
CURRENT LIABILITIES		
Accounts Payable	\$730,430	\$198,357
Payroll and Benefits Payable	258,188	266,826
Deferred Revenue	317,655	417,887
Compensated Absences	439,107	433,872
NONCURRENT LIABILITIES		
Due Within One Year		
Capital Lease	104,404	108,078
Due in More Than One Year		
Capital Lease	4,195,596	4,087,517
TOTAL LIABILITIES	<u>\$6,045,380</u>	<u>\$5,512,537</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$4,027,865	\$4,251,650
Unrestricted	<u>3,894,812</u>	<u>3,457,368</u>
TOTAL NET ASSETS	<u><u>\$7,922,677</u></u>	<u><u>\$7,709,018</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I)
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007

	FY 2006	PROGRAM REVENUE		Net (Expenses)
PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets
Governmental Activities:				
Administration/General Support	\$1,196,526	\$10,027	\$14,270	(\$1,172,229)
Administration Programs	793,076	0	666,048	(127,028)
Environmental Health	2,414,369	1,510,112	878,912	(25,345)
Family and Community Health	2,475,000	530,872	1,287,285	(656,843)
Health Promotion	1,150,014	21,925	1,268,872	140,783
Home Health	2,730,093	2,420,020	371,953	61,880
Interest Expense	172,024	0	0	(172,024)
Total Governmental Activities	<u>\$10,931,102</u>	<u>\$4,492,956</u>	<u>\$4,487,340</u>	<u>(\$1,950,806)</u>

General Revenues:	
State General Support	\$1,403,200
County Contributions	1,400,505
Interest Income	224,672
Total General Revenues	<u>\$3,028,377</u>
Change in Net Assets	1,077,571
Beginning Net Assets (As restated)	6,845,106
Ending Net Assets	<u>\$7,922,677</u>

	FY 2007	PROGRAM REVENUE		Net (Expenses)
PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets
Governmental Activities:				
Administration/General Support	\$1,708,174	\$15,200	\$11,212	(\$1,681,762)
Administration Programs	674,058	0	685,235	11,177
Environmental Health	2,441,949	1,338,678	588,886	(514,385)
Family and Community Health	2,480,525	566,117	1,116,526	(797,882)
Health Promotion	1,012,343	12,536	1,207,420	207,613
Home Health	2,594,230	2,384,214	357,221	147,205
Interest Expense	163,880	0	0	(163,880)
Total Governmental Activities	<u>\$11,075,159</u>	<u>\$4,316,745</u>	<u>\$3,966,500</u>	<u>(\$2,791,914)</u>

General Revenues:	
State General Support	\$1,364,600
County Contributions	1,014,704
Interest Income	198,951
Total General Revenues	<u>\$2,578,255</u>
Change in Net Assets	(213,659)
Beginning Net Assets	7,922,677
Ending Net Assets	<u>\$7,709,018</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I)
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2006 AND 2007

	June 30, 2006 Special Revenue Fund	June 30, 2007 Special Revenue Fund
ASSETS		
Cash	\$763,278	\$90,092
Investments Account	3,561,564	3,314,963
Accounts Receivable, Net	1,161,797	1,197,378
Total Assets	<u>\$5,486,639</u>	<u>\$4,602,433</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$730,430	\$198,357
Accrued Payroll	258,188	266,826
Deferred Revenue	317,655	417,887
Total Liabilities	<u>\$1,306,273</u>	<u>\$883,070</u>
Fund Balances		
Unreserved:		
Undesignated	\$3,720,998	\$3,120,582
Designated for Capital Projects	459,368	598,781
Total Fund Balances	<u>\$4,180,366</u>	<u>\$3,719,363</u>
Total Liabilities and Fund Balances	<u>\$5,486,639</u>	<u>\$4,602,433</u>
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS		
Total fund balance for governmental funds	\$4,180,366	\$3,719,363
Amounts reported for governmental activities in the Statement of Net Assets are different due to:		
Accounts receivable that are collected more than 60 days after fiscal year end.	153,553	171,877
Capital assets used in governmental activities that are not financial resources and are therefore not reported in the funds	8,327,865	8,447,245
Long-term liabilities that are not due and payable in the current period and are therefore not reported in the funds. This consists of compensated absences and long term debt.	(4,739,107)	(4,629,467)
Net assets of governmental activities.	<u>\$7,922,677</u>	<u>\$7,709,018</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007

	June 30, 2006			June 30, 2007		
	General Fund	Millennium Fund	Total	General Fund	Millennium Fund	Total
REVENUES						
Licenses, Permits, Fees	\$1,514,712	\$0	\$1,514,712	\$1,341,068	\$0	\$1,341,068
Health Services	2,968,498	0	2,968,498	2,969,245	0	2,969,245
Grants and Contracts	4,434,393	44,300	4,478,693	3,919,008	72,472	3,991,480
State Appropriation	1,403,200	0	1,403,200	1,364,600	0	1,364,600
County Appropriation	1,246,952	0	1,246,952	842,827	0	842,827
Interest	224,680	0	224,680	198,951	0	198,951
Rent, Other	10,946	0	10,946	8,093	0	8,093
Donations, Miscellaneous	51,739	0	51,739	46,429	0	46,429
Total Revenues	\$11,855,120	\$44,300	\$11,899,420	\$10,690,221	\$72,472	\$10,762,693
EXPENDITURES						
Administration/General Support	\$1,109,008	\$0	\$1,109,008	\$1,227,875	\$0	\$1,227,875
Administration Programs	781,282	0	781,282	669,506	0	669,506
Environmental Health	2,365,008	0	2,365,008	2,400,184	0	2,400,184
Family and Community Health	2,453,803	0	2,453,803	2,464,984	0	2,464,984
Health Promotion	1,133,705	44,300	1,178,005	1,003,388	72,472	1,075,860
Home Health	2,710,004	0	2,710,004	2,572,111	0	2,572,111
Capital Outlay	6,024,623	0	6,024,623	594,042	0	594,042
Debt Service:						
Principal Retirement	0	0	0	104,404	0	104,404
Interest	172,024	0	172,024	163,880	0	163,880
Total Expenditures	\$16,749,457	\$44,300	\$16,793,757	\$11,200,374	\$72,472	\$11,272,846
OTHER FINANCING SOURCES						
Construction Loan Proceeds	\$4,300,000	\$0	\$4,300,000	\$0	\$0	\$0
Total Other Financing Sources and Uses	\$4,300,000	\$0	\$0	\$0	\$0	\$0
Net Change in Fund Balances	(\$594,337)	\$0	(\$594,337)	(\$510,153)	\$0	(\$510,153)
Fund Balances - Beginning of Year	4,774,703	0	4,774,703	4,180,366	0	4,180,366
Fund Balances - End of Year	\$4,180,366	\$0	\$4,180,366	\$3,719,363	\$0	\$3,719,363
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES						
Net change in fund balances for total governmental funds			(\$594,337)			(\$510,153)
Amounts reported for governmental activities in the statement of activities are different because:						
The county appropriation receivable for the July/September quarter are reported if received within 60 days of fiscal year end. However, in the Statement of Activities, the county appropriation for the July-September quarter received after 60 days are also recorded.			153,553			171,877
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.			(4,300,000)			0
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in FY 06 and FY 07 by the following amounts:						
	FY 2006	FY 2007				
Capital Outlay	\$6,024,623	\$594,042	5,864,910			119,980
Depreciation Expense	(159,713)	(474,062)				
Book Value of Capital Assets Sold for Loss in FY 07						(600)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences.			(46,555)			5,237
Change in Net Assets of Governmental Activities			\$1,077,571			(\$213,659)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The District is not a State agency. In determining how to define the District for financial reporting purposes, management has considered all potential component units in accordance with *GASB Statement 14* as amended by *GASB Statement 39*. The legislature created seven health districts throughout the State in 1970. In 1976, the legislature expressed specific intent that the districts were not to be considered State agencies, but were to be recognized as authorized governmental entities. Although the districts are not State agencies, all districts have opted to process their financial transactions through the State accounting system.

The financial statements for the Panhandle Health District for the year ended June 30, 2006 and 2007 are presented in accordance with the United States generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

In June 1999, GASB issued *Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement established new financial reporting requirements for state and local governments throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected. The Panhandle Health District implemented these standards for the fiscal years ended June 30, 2004 and 2005.

Other GASB statements implemented in conjunction with *GASB Statement 34* includes *Statement No. 37, Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and *Statement No. 38, Certain Financial Statement Note Disclosures*.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (e.g., the Statement of Net Assets and the Statement of Activities) report information on all activities of the District. These activities are financed through General Fund appropriations, county contributions, federal grants, and program revenues.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in two categories:

1. *Invested in Capital Assets, Net of Related Debt* are capital assets, net of accumulated depreciation and reduced by related outstanding debt.
2. *Unrestricted Net Assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include fees and charges paid by recipients of goods or services offered by the program. Appropriations, contributions, interest income, and other items not meeting the definition of program revenues are reported as general revenue.

The financial activities of the District are recorded in individual funds to report the financial position and results of the operation of the District. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The District reports the following major governmental funds:

General Fund – The General Fund is the District's primary operating fund. It accounts for services that include general administrative support, family and community health, environmental health and education, health promotion, and home health. The General Fund includes all financial resources of the general government except those required to be accounted for in another fund.

Millennium Fund – The Millennium Fund accounts for the District's distributive portion of the Idaho Millennium Fund, which is made up of the tobacco settlement receipts.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the statement of net assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under governmental fund accounting, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the year end. Sales of services, interest, and federal grant expenditures are considered to be susceptible to accrual. Expenditures are recorded when a liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

BUDGETING AND BUDGETARY CONTROL

The District receives funding as an appropriation from the State and also from the five county governments of the District.

The State budget request is completed in conjunction with the other six health districts of the State, and submitted to the State Controller's Office by September 1 for the upcoming July 1 fiscal year. State appropriation is distributed among the seven districts using a formula.

The county funding request is presented to the counties in the spring for the coming July 1 fiscal year. At the spring budget hearing, the county commissioners vote on the county support.

Historically, the State and county appropriations combined have been approximately 20% of the District's budget. The District Board of Health approves the District's budget each spring before the coming July 1 fiscal year.

ASSETS, LIABILITIES, AND NET ASSETS

Cash

The District's cash is considered to be cash on hand and on deposit with the State Treasurer's Office.

Investments

Investments are reported at fair value. Additional disclosure is included in Note 2.

Accounts Receivable

Accounts receivable consist of county contributions, federal grants, and client fees.

Capital Assets

Purchased capital assets are reported at cost. Assets donated or acquired at bargain purchase prices are reported at market value on the date of donation. Only capital assets with a value of \$5,000 or greater are capitalized. Depreciation is recorded using the straight-line method over the assets' estimated useful life as follows:

Equipment	5-20 years
Building/Improvements	20-50 years
Vehicles	5 years

Maintenance, repairs, and minor renewals are charged as operating expenses when incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

Additional disclosures related to capital assets are provided in Note 5.

Revenues and Expenditures

In the government-wide statement of activities, revenues and expenses are segregated by activity and then by function. Additionally, revenues are classified as program or general revenues. Program revenues include charges to clients or applications for services provided and certain grants and contributions. General revenues include the State appropriation, county contribution, and interest.

In the governmental fund financial statements, revenues are reported by source and expenditures are reported by function.

Accounts Payable

Payables in the government-wide financial statements consist primarily of short-term vendor obligations.

Deferred Revenue

Deferred revenue is recognized when revenue is received prior to being earned. In the government fund statements, deferred revenue is also recognized when revenue is earned but not available.

Other Liabilities

Other liabilities consist of payroll, benefits payable, and compensated absences, which consists of vacation and compensatory time earned by employees but not yet paid.

Long-Term Liabilities

Government-wide financial statements report long-term obligations as liabilities, with the portion payable within 12 months designated separately from the portion payable in more than 12 months. Long-term liabilities include only capital leases payable.

Net Assets

Net assets include investments in capital assets net of related debt. Unrestricted assets are assets that do not fall under the previous category.

NOTE 2. CASH AND INVESTMENTS

The District participates in the State Treasurer's internal and external investment pools. The Idle Fund is an internal investment pool managed by the State Treasurer's Office on behalf of participants. Money not needed to meet immediate operating obligations is invested in accordance with Idaho Code, Section 67-1210 and 67-1210A. Participation in the pool is involuntary. Idaho Code restricts the State Treasurer to certain types of investments.

The District also participates in the Local Government Investment Pool (LGIP) which is an external investment pool sponsored by the State Treasurer's Office. A copy of the State's *Comprehensive Annual Financial Report (CAFR)*, including the investment pools' financial statements, is available from the Office of the State Controller, Bureau of Reporting and Review, P.O. Box 83720, Boise, Idaho 83720-0011, or on the Controller's Web site at <http://www.sco.idaho.gov>.

Idaho Code, Sections 67-1210 and 67-1210A restrict the State Treasurer to certain types of investments.

The Building Construction Account was held by Sterling Savings Bank for the construction of the Hayden Building (see Note 6. Capital Leases). The interest rate varied monthly over the term of the account between 2.5% and 3.5%. The account was closed in October 2007 after the last retainage was paid.

Credit Ratings

The LGIP was rated in fiscal year 2007, but unrated in fiscal year 2006. For fiscal year 2007, it had an AAAf fund credit quality ratings, signifying that the portfolio holdings provide extremely strong protection against losses from credit defaults.

Interest Rate Risk

The LGIP has an S1+ volatility rating, indicating extremely low sensitivity to changing market conditions, and a level of risk that is less than or equal to that of a portfolio comprised of the highest-quality fixed income instruments with an average maturity of one year or less.

The following schedule represents the District's investments in the external investment pools and a distribution of the pools' maturities at June 30, 2006 and 2007:

	<u>June 30, 2006</u>	<u>Fair Value</u>	<u>Maturity</u>
LGIP		\$3,561,564	135 days
	<u>June 30, 2007</u>		
LGIP		\$3,314,963	91 days

The ending cash balances and investments at June 30, 2006 and June 30, 2007 are as follows:

	<u>June 30, 2006</u>	<u>June 30, 2007</u>
State Treasurer's Office – Cash	\$78,503	\$69,937
LGIP	3,561,564	3,314,963
Building Construction Account	<u>684,775</u>	<u>20,155</u>
Total	<u>\$4,324,842</u>	<u>\$3,405,055</u>

The State Treasurer has an informal investment policy that limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

	<u>Carrying Value</u>	<u>Bank Value</u>	<u>Uninsured and Uncollateralized Deposits</u>
FY 2006	\$4,324,842	\$4,324,842	\$0
FY 2007	3,405,055	3,405,055	0

The District has no formal policy to mitigate interest rate risk or credit risk.

NOTE 3. COMPENSATED ABSENCES

The Panhandle Health District (I) is not considered a department of State government. By agreement, the District follows the rules of the State Division of Human Resources. District employee benefits include vacation and sick leave allowances. Overtime may be earned under provisions of the Fair Labor Standards Act and State law. Overtime is commonly referred to as "compensatory time" or "comp time" since employees may take time off for the accrued overtime. For the purposes of earning and accruing overtime there are three general classes of employees:

1. Those who earn overtime at 1.5 times regular pay rates and may be paid for the overtime or take time off.
2. Those who earn overtime at the same rate as regular pay rates and may only take time off.
3. Those who are ineligible for overtime.

Upon termination, the following accrued leave balances are paid:

1. Vacation leave
2. Overtime for those eligible for payment

As of June 30, 2006 and 2007, the following compensated absences have been accrued by employees of the District. These amounts are reported on the government-wide financial statements. A liability for the amount is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirement. Compensated absences are paid from the District's main operating fund.

<u>FY 2006</u>	
<u>Changes to Compensated Absences</u>	
Beginning Balance July 1, 2005	\$392,552
Increases	496,127
Decreases	<u>(449,572)</u>
Ending Balance June 30, 2006	<u>\$439,107</u>

The District estimates the amount due within one year is \$439,107. Compensated absences are paid from the District's main operating fund.

FY 2007
Changes to Compensated Absences

Beginning Balance July 1, 2006	\$439,107
Increases	491,844
Decreases	<u>(497,079)</u>
Ending Balance June 30, 2007	<u>\$433,872</u>

The District estimates the amount due within one year is \$433,872. Compensated absences are paid from the District's main operating fund.

NOTE 4. PENSION PLANS

DEFINED BENEFIT PLAN

The Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. Designed as a mandatory system for eligible State and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits when they reach the age specified by their employment classification. For each year of credited service, the annual service retirement allowance is 2.0% (2.3%, for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the District and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2006 and June 30, 2007, the required contribution rate was 10.39% and 6.23% of covered payroll for the District and its employees, respectively. For the period from July 1, 2006 to July 1, 2007, the required contribution rate was 10.39% and 6.23% of covered payroll. District contributions required and paid were \$548,495, \$565,471, and \$566,949, respectively, for the three years ended June 30, 2005, 2006 and 2007.

DEFINED CONTRIBUTION PLAN

The PERSI Choice Plan is the State's defined contribution retirement plan and includes the 401(k) and the 414(k). The 414(k) plan was established for gain sharing allocations from the PERSI Base Plan. Any gain-sharing amount is based on PERSI Base Plan funding levels. The 401(k) plan is open to all active PERSI Base Plan members and was established February 1, 2001. Gain sharing requires 12 months active PERSI membership for eligibility in the 414(k) gain sharing contributions. Assets for both plans are co-mingled.

The PERSI Choice Plan is the State's defined contribution retirement plan. Statutes governing the PERSI Choice Plan are found in Idaho Code, Title 59, Chapter 13. The retirement board, created pursuant to Section 59-1304 of the Idaho Code to manage PERSI, administers the plan. Participants contribute pre-tax earnings to the plan and direct their own investment mix.

Participants may elect to change their deferral every pay period. Employee pre-tax contributions may be any whole percentage between 1% and 100% of the deferral compensation otherwise payable to the participant during the applicable pay period provided that no contribution may be less than \$130 divided by the number of annual pay periods. Employee pre-tax contributions and employer contributions for any limitation year for all defined contributions shall not exceed the lesser of the

following: (1) \$40,000 or such larger amount as may be determined under Idaho Code, Section 415(c)(1)(A); or (2) 100% of the participant's total section 415 compensation received from the employer for such limitation year.

NOTE 5. CAPITAL ASSETS

In fiscal year 2007, vehicles with a cost of \$44,525 were surplus. The vehicles were purchased between 1992 and 2002, and were fully depreciated.

In June 2005, the District sold its former headquarters property to Kootenai Medical Center for \$2,145,843. The lot and building are located at 2195 Ironwood Court in Coeur d'Alene, and were directly adjacent to Kootenai Medical Center. The original cost of the land was \$42,498. The building and improvements cost \$841,837, and had an undepreciated book value of \$285,835. The proceeds from the sale helped fund the construction of the new headquarters building in Hayden.

The fiscal year 2006 beginning balances for construction in progress and buildings and improvements were restated by \$4,405 for assets recorded as buildings and improvements that should have been classified as construction in progress. There was no change to the balance for total capital assets.

In January 2007, the District purchased, for cash, two contiguous lots in downtown St. Maries, Idaho, to build a replacement for the District's Benewah County clinic and office. The combined price of both lots was \$390,424.

Capital asset activity for the years ended June 30, 2006 and June 30, 2007 is as follows:

	Balance at July 1, 2005	Increase	Decrease	Balance at June 30, 2006
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$548,424	\$0	(\$548,424)	\$0
Land	511,306	144,325	0	655,631
Total Capital Assets Not Being Depreciated	<u>\$1,059,730</u>	<u>\$144,325</u>	<u>(\$548,424)</u>	<u>\$655,631</u>
Capital Assets Being Depreciated				
Buildings and Improvements	\$1,530,427	\$6,017,126	\$0	\$7,547,553
Improvements Other Than Buildings	0	0	0	0
Equipment and Vehicles	769,766	411,595	0	1,181,914
Total Capital Assets Being Depreciated	<u>\$2,300,193</u>	<u>\$6,428,721</u>	<u>0</u>	<u>\$8,728,914</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(\$444,659)	(\$64,079)	\$0	(\$508,738)
Improvements Other Than Buildings	0	0	0	0
Equipment and Vehicles	(452,308)	(95,634)	0	(547,942)
Total Accumulated Depreciation	<u>(\$896,967)</u>	<u>(\$159,713)</u>	<u>\$0</u>	<u>(\$1,056,680)</u>
Total Capital Assets Being Depreciated, Net	<u>\$1,403,226</u>	<u>\$6,269,008</u>	<u>\$0</u>	<u>\$7,672,234</u>
Governmental Activities Capital Assets, Net	<u>\$2,462,956</u>	<u>\$6,413,333</u>	<u>(\$548,424)</u>	<u>\$8,327,865</u>

	Balance at July 1, 2006	Increase	Decrease	Balance at June 30, 2007
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$0	\$88,972	\$0	\$88,972
Land	655,631	390,424	0	1,046,055
Total Capital Assets Not Being Depreciated	<u>\$655,631</u>	<u>\$479,396</u>	<u>\$0</u>	<u>\$1,135,027</u>
Capital Assets Being Depreciated				
Buildings and Improvements	\$7,547,553	\$0	\$0	\$7,547,553
Improvements Other Than Buildings	0	0	0	0
Equipment and Vehicles	1,181,361	114,646	(44,525)	1,251,482
Total Capital Assets Being Depreciated	<u>\$8,728,914</u>	<u>\$114,646</u>	<u>(\$44,525)</u>	<u>\$8,799,035</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(\$508,738)	(\$348,084)	\$0	(\$856,822)
Improvements Other Than Buildings	0	0	0	0
Equipment and Vehicles	(547,942)	(125,978)	43,925	(629,995)
Total Accumulated Depreciation	<u>(\$1,056,680)</u>	<u>(\$474,062)</u>	<u>\$43,925</u>	<u>(\$1,486,817)</u>
Total Capital Assets Being Depreciated, Net	<u>\$7,672,234</u>	<u>(\$359,416)</u>	<u>\$600</u>	<u>\$7,312,218</u>
Governmental Activities Capital Assets, Net	<u>\$8,327,865</u>	<u>\$119,980</u>	<u>\$600</u>	<u>\$8,447,245</u>

Depreciation is charged to General Support. In fiscal year 2006, depreciation was \$159,713 and in fiscal year 2007, depreciation was \$474,062.

NOTE 6. LEASES

Operating Leases

Operating leases are leases for which the District will not gain title to the asset. They contain various renewal options and some have purchase options. Operating lease payments are recorded as expenditures of the related funds when paid or incurred. The District's total operating lease expenditures for fiscal years 2006 and 2007 were \$147,921 and \$44,773, respectively.

The lease payments decreased after 2006, as the District terminated office space leases and consolidated Kootenai County into the new headquarters building in Hayden. The District moved into the new Hayden headquarters building in May 2006. The lease commitments for 2007 and beyond are for copier and mail machines.

Future minimum lease commitments for non-cancelable operating leases as of June 30, 2007 are:

	<u>Fiscal Year</u>
2008	\$11,581
2009	4,155
2010	3,762
Thereafter	<u>0</u>
Total	<u>\$19,498</u>

Capital Leases

In July 2005, the District completed \$4,300,000 in financing for the new headquarters building in Hayden. The financing was arranged through the Idaho Health Facilities Authority and funded by Sterling Savings Bank. The financing is a capital lease for 25 years with purchase for \$1.00 at the end of the lease term. The interest rate is 3.8% for the first five years and is re-set every five years. Interest only payments were made during the fiscal year 2006 construction period. Fiscal year 2007 was the first full year of interest and principal payments. The minimum annual principal and interest payments for the first five years are \$268,284 per year.

In July 2005, the building construction account was funded with \$4,300,000 from Sterling Savings Bank and an additional \$1,700,000 from District cash. The District cash came from \$2,145,843 in proceeds on the Ironwood property sale. In December 2006, \$250,000 of the remaining funds were transferred to the District's account at the State Treasurer's Office. The last contractor payment from the account was made in October 2007 for landscaping. The construction account was closed that same month, with the remaining \$5,304 transferred to the District's State Treasurer's Office account.

NOTE 7. SUBSEQUENT EVENTS

In October 2007, the District let a contract in the amount of \$2,026,000 for the construction of a new 9,575 square foot clinic and office in St. Maries, Idaho. In May 2008, the District completed capital lease financing of \$1,000,000 through the Panhandle Area Council. The agreement calls for monthly lease payments for 20 years. The interest rate is 6.09% for the first five years and re-sets every five years thereafter. The District received the certificate of occupancy on June 26, 2008. The District sold its old St. Maries building to Benewah County in October 2008 for \$226,500.

NOTE 8. RESTATEMENT OF BEGINNING NET ASSETS

The beginning fiscal year 2006 fund balance figures were restated to adjust for deferred revenue not recorded in prior year financial statements. The beginning fiscal year 2006 fund balance was restated by a negative \$306,745 to account for these changes.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I)
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
<u>REVENUES</u>				
Licenses, Permits, Fees	\$1,400,000	\$1,400,000	\$1,480,918	\$80,918
Health Services	2,951,000	3,151,000	2,972,152	(178,848)
Grants and Contracts	4,304,900	4,328,700	4,629,079	300,379
State	1,391,700	1,403,100	1,403,200	100
County	994,800	994,800	985,612	(9,188)
Interest and Rent	140,800	140,800	225,880	85,080
Donations, Miscellaneous	74,000	74,000	80,703	6,703
Total Revenues	<u>\$11,257,200</u>	<u>\$11,492,400</u>	<u>\$11,777,544</u>	<u>\$285,144</u>
Other Financing Sources				
IHFA Funding	\$4,300,000	\$4,300,000	\$4,300,000	\$0
Reserves Used for Building	2,300,000	2,300,000	1,700,000	(600,000)
Other Reserve Uses	400,000	400,000		(400,000)
Total Other Financing Sources	<u>\$7,000,000</u>	<u>\$7,000,000</u>	<u>\$6,000,000</u>	<u>(\$1,000,000)</u>
Reconciliation to GAAP Basis Revenues:				
IHFA Funding			(4,300,000)	
Reserves Used for Building			(1,700,000)	
Changes Affected by Accrued Revenue			77,576	
Total GAAP Revenues			<u>11,855,120</u>	
<u>EXPENDITURES</u>				
Personnel Costs	\$8,080,400	\$8,091,800	\$7,748,125	\$343,675
Operating	3,132,700	3,337,700	3,185,286	152,414
Capital Outlay	7,044,100	7,062,900	6,034,759	1,028,141
Total Expenditures	<u>\$18,257,200</u>	<u>\$18,492,400</u>	<u>\$16,968,170</u>	<u>\$1,524,230</u>
Reconciliation to GAAP Basis Expenditures:				
Change in Accounts Payable			(\$17,294)	
Change in Payroll Payable			(226,779)	
AP Audit Adjustment			25,360	
Total GAAP Expenditures			<u>\$16,749,457</u>	

The accompanying notes are an integral part of these financial schedules.

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I)
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
<u>REVENUES</u>				
Licenses, Permits, Fees	\$1,581,700	\$1,228,500	\$1,211,586	(\$16,914)
Health Services	3,260,500	3,180,500	3,060,063	(120,437)
Grants and Contracts	4,139,100	4,478,000	4,075,032	(402,968)
State	1,364,800	1,364,800	1,364,600	(200)
County	1,014,700	1,014,700	993,632	(21,068)
Interest and Rent	110,000	110,000	220,156	110,156
Donations, Miscellaneous	56,600	56,600	78,213	21,613
Reserve	71,200	709,200	0	(709,200)
Total Revenues	<u>\$11,598,600</u>	<u>\$12,142,300</u>	<u>\$11,003,282</u>	<u>(\$1,139,018)</u>
Other Financing Sources				
Other Reserve Uses	\$71,200	\$709,200	\$0	(\$709,200)
Total Other Financing Sources	<u>\$71,200</u>	<u>\$709,200</u>	<u>\$0</u>	<u>(\$709,200)</u>
Reconciliation to GAAP Basis Revenues:				
Changes Affected by Accrued Revenue			(\$313,061)	
Total GAAP Revenues			<u>10,690,221</u>	

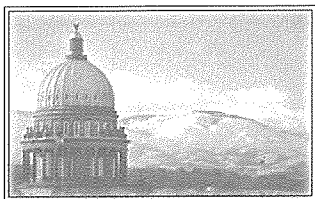
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
<u>EXPENDITURES</u>				
Personnel Costs	\$7,918,000	\$7,769,600	\$7,562,117	\$207,483
Operating	3,273,900	3,269,200	3,072,843	196,357
Capital Outlay	406,700	1,103,500	694,816	408,684
Total Expenditures	<u>\$11,598,600</u>	<u>\$12,142,300</u>	<u>\$11,329,776</u>	<u>\$812,524</u>
Reconciliation to GAAP Basis Expenditures:				
Change in Accounts Payable			(\$18,109)	
Change in Payroll Payable			8,638	
Change in Capital Lease Payable			(104,404)	
A/P Decrease Audit Adjustment			13,339	
H&W Vital Statistics			(12,866)	
A/P Cash Sterling Adjustment			(15,000)	
EH Receivable Rebate			(1,000)	
Total GAAP Expenditures			<u>\$11,200,374</u>	

The accompanying notes are an integral part of these financial schedules.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. BUDGET COMMITTEE

Each of the District's counties has a representative who serves on the Budget Committee. The District board will submit the budget to the Budget Committee. The budget is prepared on a cash basis. The budget for the District shall be approved by a majority of the Budget Committee. Any adjustments to the budget are approved by the Board of Health.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

January 29, 2010

Independent Auditor's Report on Internal Control over
Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Jeanne Bock, Director
Panhandle Health District (I)
8500 N. Atlas Road
Hayden, ID 83835

Marlow Thompson, Chair
District I Board of Health
160 S. Fork Hagerman Creek Road
Tensed, ID 83870

Dear Ms. Bock and Mr. Thompson:

We have audited the financial statements of the governmental activities, major fund, and the remaining fund information of the Panhandle Health District (I) as of and for the years ended June 30, 2006 and 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process,

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

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or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Findings 2007S-1 and 2007S-2 in the accompanying Findings on Internal Control over Reporting on Financial Statements to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described in Finding 2007S-1 to be a material weakness.

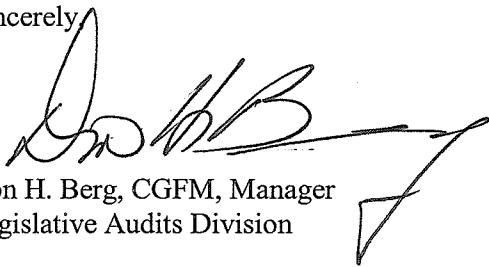
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

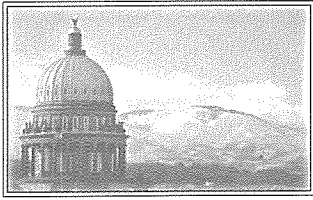
We noted certain other matters that we have reported to the management of the District in a separate letter.

This report is intended solely for the information and use of the State of Idaho, the Panhandle Health District (I), and the District's Board, and is not intended to be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', followed by a long horizontal line extending to the right.

Don H. Berg, CGFM, Manager
Legislative Audits Division



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

January 29, 2010

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

Jeanne Bock, Director
Panhandle Health District (I)
8500 N. Atlas Road
Hayden, ID 83835

Marlow Thompson, Chair
District I Board of Health
160 S. Fork Hagerman Creek Road
Tensed, ID 83870

Dear Ms. Bock and Mr. Thompson:

Compliance

We have audited the compliance of the Panhandle Health District (I) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements, and performing such other procedures that we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with *OMB Circular A-133*, and that are

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Cathy Holland-Smith, Manager
Budget & Policy Analysis 21

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described in the accompanying Schedule of Findings and Questioned Costs as findings 2007F-3 and 2007F-4.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct, material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

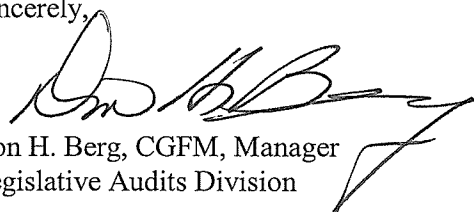
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Findings 2007F-1, 2007F-2, 2007F-3, and 2007F-4 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs we consider only finding 2007F-1 to be a material weakness.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the State of Idaho, the Panhandle Health District (I), the District's Board, and federal awarding agencies, and is not intended to be used by anyone other than these specified parties.

Sincerely,


Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007

PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	PASS- THROUGH ENTITIES*	FEDERAL EXPENDITURES FY 2006	FEDERAL EXPENDITURES FY 2007	TOTAL FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE						
Women, Infants, Children Administration	10.557	HC472900	1	\$618,826	\$135,767	\$754,593
Women, Infants, Children Administration	10.557	HC557300	1	0	450,971	450,971
Total CFDA 10.557				\$618,826	\$586,738	\$1,205,564
TOTAL U.S. DEPARTMENT OF AGRICULTURE				\$618,826	\$586,738	\$1,205,564
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Lead Technical Studies	14.902	IDLTS0096-03	2	\$71,938	\$0	\$71,938
Total CFDA 14.902				\$71,938	\$0	\$71,938
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				\$71,938	\$0	\$71,938
ENVIRONMENTAL PROTECTION AGENCY						
Public Water Supplies	66.432	S158	3	\$95,825	\$79,949	\$175,774
Total CFDA 66.432				\$95,825	\$79,949	\$175,774
Stormthreat/Bioretenction Basin Demonstration	66.460	S081	3	\$11,407	\$1,289	\$12,696
Emerald Gardens	66.460	S147	3	260,633	28,764	289,397
Total CFDA 66.460				\$272,040	\$30,053	\$302,093
Radon Awareness	66.032	HC503700	1	\$2,375	\$0	\$2,375
Total CFDA 66.032				\$2,375	\$0	\$2,375
Bunker Hill Community Relations	66.802	C297	3	\$36,974	\$64,308	\$101,282
Total CFDA 66.802				\$36,974	\$64,308	\$101,282
TOTAL ENVIRONMENTAL PROTECTION AGENCY				\$407,214	\$174,310	\$581,524
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Medical Reserve Corps	93.008	MRC5G030116-03-02	2	\$70,544	\$15,320	\$85,864
Total CFDA 93.008				\$70,544	\$15,320	\$85,864
Bioterrorism Hospital Preparedness	93.889	HC469400	1	\$350,230	\$0	\$350,230
Bioterrorism Hospital Preparedness	93.889	HC519300	1	76,837	2,340	79,177
Bioterrorism Hospital Preparedness	93.889	HC519300	1	0	275,466	275,466
Bioterrorism Hospital Preparedness	93.889	HC555800	1	0	37,314	37,314
Total CFDA 93.889				\$427,067	\$315,120	\$742,187
Tuberculosis Control	93.116	HC493800	1	\$12,505	\$0	\$12,505
Tuberculosis Control	93.116	HC534100	1	9,200	0	9,200
Tuberculosis Control	93.116	HC567300	1	0	2,708	2,708
Total CFDA 93.116				\$21,705	\$2,708	\$24,413
Family Planning Title X	93.217	HC409200	1	\$129,520	\$0	\$129,520
Family Planning Title X	93.217	HC561000	1	0	84,841	84,841
Total CFDA 93.217				\$129,520	\$84,841	\$214,361
Adolescent Pregnancy Prevention (ADOL)	93.235	HC523300	1	\$49,422	\$12,578	\$62,000
Adolescent Pregnancy Prevention (APP)	93.235	HC551600	1	0	52,084	52,084
Total CFDA 93.235				\$49,422	\$64,662	\$114,084

The accompanying notes are an integral part of this schedule.

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007

PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	PASS- THROUGH ENTITIES*	FEDERAL EXPENDITURES FY 2006	FEDERAL EXPENDITURES FY 2007	TOTAL FEDERAL EXPENDITURES
Immunizations	93.268	HC492100	1	\$44,343	\$0	\$44,343
Immunizations	93.268	HC532400	1	27,610	32,610	60,220
Immunizations	93.268	HC565900	1	0	27,996	27,996
Total CFDA 93.268				<u>\$71,953</u>	<u>\$60,606</u>	<u>\$132,559</u>
Asthma Coalition	93.283	HC462900	1	\$2,698	\$0	\$2,698
Asthma Coalition	93.283	HC508600	1	23,176	3,824	27,000
Asthma Coalition	93.283	HC551400	1	0	13,265	13,265
Bioterrorism Focus Area B	93.283	HC 471300	1	17,941	0	17,941
Public Health Emergency Prep (PHEP)	93.283	HC523200	1	126,881	23,708	150,589
Public Health Emergency Prep (PHEP)	93.283	HC561500	1	0	134,013	134,013
Public Health Emergency Prep (PHP BT CDC)	93.283	HC519200	1	316,455	76,642	393,097
Public Health Prep (PHP BT CDC)	93.283	HC555500	1	0	291,300	291,300
Pandemic Influenza Planning(PHEP)	93.283	HC539400	1	3,577	171,501	175,078
Tobacco Prevention	93.283	HC503500	1	43,715	0	43,715
Tobacco Prevention	93.283	HC541700	1	0	45,698	45,698
West Nile Virus Surveillance	93.283	HC501300	1	2,961	0	2,961
West Nile Virus Surveillance	93.283	HC574100	1	0	2,000	2,000
Total CFDA 93.283				<u>\$537,404</u>	<u>\$761,951</u>	<u>\$1,299,355</u>
Day Care Investigation	93.556	1C073500	1	<u>\$17,074</u>	<u>\$19,673</u>	<u>\$36,747</u>
Total CFDA 93.556				<u>\$17,074</u>	<u>\$19,673</u>	<u>\$36,747</u>
Focus on Health	93.558	1C071000	1	\$84,848	\$81,900	\$166,748
Focus on Health	93.558	1C079700	1	0	50,876	50,876
Immunization Reminder	93.558	HC500000	1	78,895	78,096	156,991
Total CFDA 93.558				<u>\$163,743</u>	<u>\$210,872</u>	<u>\$374,615</u>
Day Care Site Visits	93.575	WC038400	1	\$164,040	\$0	\$164,040
Day Care Site Visits	93.575	WC055800	1	0	161,616	161,616
Child Care Resource Center	93.575	EDK058-04-A	4	170,000	132,000	302,000
Total CFDA 93.575				<u>\$334,040</u>	<u>\$293,616</u>	<u>\$627,656</u>
Child Find	93.778	1C072700	1	\$37,000	\$0	\$37,000
Child Find	93.778	1C078900	1	0	37,000	37,000
Total CFDA 93.778				<u>\$37,000</u>	<u>\$37,000</u>	<u>\$74,000</u>
Women's Health Check	93.283	HC499000	1	\$68,815	\$0	\$68,815
Women's Health Check	93.283	HC538400	1	0	80,508	80,508
Total CFDA 93.283				<u>\$68,815</u>	<u>\$80,508</u>	<u>\$149,323</u>
HIV Surveillance	93.944	HC492200	1	\$2,894	\$0	\$2,894
HIV Surveillance	93.944	HC534000	1	3,400	0	3,400
HIV Surveillance	93.944	HC566600	1	0	3,500	3,500
Total CFDA 93.944				<u>\$6,294</u>	<u>\$3,500</u>	<u>\$9,794</u>
HIV/STD Control	93.940	HC490700	1	\$12,877	\$21,047	\$33,924
Total CFDA 93.940				<u>\$12,877</u>	<u>\$21,047</u>	<u>\$33,924</u>

The accompanying notes are an integral part of this schedule.

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007

PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	PASS- THROUGH ENTITIES*	FEDERAL EXPENDITURES FY 2006	FEDERAL EXPENDITURES FY 2007	TOTAL FEDERAL EXPENDITURES
HIV/STD Control	93.977	HC490700	1	\$7,646	\$26,715	\$34,361
Total CFDA 93.977				\$7,646	\$26,715	\$34,361
Diabetes	93.988	HC497100	1	\$18,603	\$0	\$18,603
Diabetes	93.988	HC535900	1	6,924	12,076	19,000
Diabetes	93.988	HC569500	1	0	6,485	6,485
Total CFDA 93.988				\$25,527	\$18,561	\$44,088
Injury Prevention	93.991	HC476800	1	\$23,074	\$0	\$23,074
Injury Prevention	93.991	HC521400	1	32,890	10,428	43,318
Injury Prevention	93.991	HC562400	1	0	30,854	30,854
Total CFDA 93.991				\$55,964	\$41,282	\$97,246
C.S.H.P.	93.994	HC476500	1	\$8,250	\$7,250	\$15,500
Communicable Disease (Epidemiology Services)	93.994	HC507300	1	46,847	0	46,847
Communicable Disease (Epidemiology Services)	93.994	HC543800	1	0	45,498	45,498
Epidemiology	93.994	HC476900	1	7,488	0	7,488
Epidemiology	93.994	HC524700	1	28,398	0	28,398
Epidemiology	93.994	HC562500	1	0	26,537	26,537
Family Planning MCH	93.994	HC410000	1	63,000	21,000	84,000
Oral Health	93.994	HC471400	1	12,936	0	12,936
Oral Health	93.994	HC525600	1	39,074	0	39,074
Oral Health	93.994	HC560100	1	0	43,048	43,048
Total CFDA 93.994				\$205,993	\$143,333	\$349,326
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				\$2,242,588	\$2,201,315	\$4,443,903
CORPORATION FOR NATIONAL SERVICE						
Senior Companion	94.016	05SC047180	5	\$168,660	\$0	\$168,660
Senior Companion	94.016	06SC057013	5	169,266	107,511	276,777
Senior Companion	94.016	07SC069418	5	0	172,686	172,686
Total CFDA 94.016				\$337,926	\$280,197	\$618,123
TOTAL FOR CORPORATION FOR NATIONAL SERVICE				\$337,926	\$280,197	\$618,123
TOTAL CASH EXPENDITURES				\$3,678,492	\$3,242,560	\$6,921,052
WIC Food Vouchers	10.577		1	\$2,311,647	\$2,476,281	\$4,787,928
Value of Serum	93.268		1	119,971	242,861	362,832
Value of Contraceptives	93.217		1	112,210	103,465	215,675
TOTAL NON-CASH EXPENDITURES				\$2,543,828	\$2,822,607	\$5,366,435
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS				\$6,222,320	\$6,065,167	\$12,287,487

*LEGEND:

- 1 = Idaho Department of Health and Welfare
- 2 = Direct Award
- 3 = Idaho Department of Environmental Quality
- 4 = University of Idaho
- 5 = Corporation for National and Community Service

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

The CFDA refers to the *Catalog of Federal Domestic Assistance*, which is a government-wide list of individual federal programs. Federal award programs for which we could not determine a number are identified with the first two digits that identify the federal grantor department, followed by ".999."

NOTE 2. WIC FOOD VOUCHERS

The District determines eligibility for the Women, Infants and Children (WIC) program. Within the WIC program, the District distributes food checks to clients and controls unissued food checks. The Idaho Department of Health and Welfare issues and redeems food checks, controls the food checks issued, and reviews program compliance. The value of the food checks redeemed through the Idaho Department of Health and Welfare during fiscal years 2006 and 2007 was \$2,311,647 and \$2,476,281, respectively.

NOTE 3. VALUE OF VACCINE SERUM

The District provides vaccines free of charge to children 18 years of age or younger. The District determines whether the vaccine recipient is eligible to receive the vaccine under the Federal Immunization Grant. The vaccine serums are ordered by the Idaho Department of Health and Welfare, and delivered to the District as needed. The vaccine serum value supplied by the State Health and Welfare Department was \$119,971 in fiscal year 2006 and \$242,861 in fiscal year 2007.

NOTE 4. VALUE OF CONTRACEPTIVES

The District provides contraceptives on a sliding fee scale to eligible clients of the federally funded Reproductive Health Clinic. The Idaho Department of Health and Welfare purchases the contraceptives and supplies them to the District as needed. The contraceptives value supplied by the Idaho Department of Health and Welfare was \$112,210 in fiscal year 2006 and \$103,465 in fiscal year 2007.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

1. The independent auditor's report on the basic financial statements expressed an unqualified opinion.
2. The audit of the basic financial statements disclosed two significant deficiencies and one of them was considered a material weakness.
3. The audit did not disclose any instances of noncompliance considered material to the basic financial statements.

Federal Awards

4. The audit disclosed four significant deficiencies, and one of them was considered a material weaknesses in internal control over major programs.
5. The independent auditor's report on compliance for major programs expressed an unqualified opinion for all major programs.
6. The audit disclosed four findings that must be reported in accordance with criteria in Section 510a of *OMB Circular A-133*.
7. Major programs are listed below:

<u>Program Title</u>	<u>CFDA Number</u>
WIC	10.557
Family Planning Title X	93.217
Immunization Grants	93.268
Public Health Preparedness	93.283
Focus on Health	93.558
Child Care Development Block Grant	93.575
Health Resources Services Administration	93.889

8. The dollar threshold used to distinguish between Type A and Type B programs was \$368,625.
9. Panhandle District Health Department (I) did qualify as a low-risk auditee as defined by *OMB Circular A-133*.

SECTION II. FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

FINDING 2007S-1

Significant errors and omissions existed in the basic financial statements and notes due to poor internal controls.

The District's management is responsible for designing and implementing internal controls over financial reporting to ensure the integrity and accuracy of the information presented. During our initial review of the District's financial statements and notes, we identified more than 20 significant errors and omissions, which were eventually corrected as a result of the audit. The following are a few examples of the errors that were identified and corrected.

- Accounts payable were understated by \$590,000 for fiscal years 2006 and 2007 combined.
- Accounts receivable for county contributions were understated by \$248,000 for fiscal year 2006 and \$154,734 for fiscal year 2007.
- Accrued interest of \$172,024 on construction loans was capitalized rather than expensed, a practice not allowed in governmental funds.
- Cash balances in the construction account were improperly classified as investments in fiscal year 2006 by \$248,597 and in fiscal year 2007 by \$5,155.
- The District's Schedule of Expenditures of Federal Awards had initially omitted \$675,000 from its schedule.

The quantity and magnitude of errors and omissions indicate that internal controls are not properly designed or implemented. In addition, most of the errors or omissions would have caused the financial reporting to be misleading and required a qualified opinion had they not been discovered during the audit and corrected.

RECOMMENDATION 2007S-1

We recommend that the District review and strengthen the internal controls over the preparation of financial statements and notes to ensure the integrity and accuracy of the financial information presented.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

Accounts Payable

The accounts payable understatement of \$590,000 includes \$527,303 related to closing the construction account and recording the depreciable asset for the Hayden Building. The building project was considered complete at 6/30/06, and the decision was made to record the asset at its full cost and consider the project closed. The final payment of \$527,303 should have been recorded as a liability instead of a reduction in the construction cash account balance.

Other accounts payable were left off the schedule because the field used to identify the invoice was automatically converted to a least common denominator. All transactions after June 30 were downloaded and reviewed for invoice descriptions prior to June 30. The download process converted some data fields to make them not appear to be fiscal year end invoices. For example, an invoice entered into the system as "Invoice 6/30" when exported into the Excel payables schedule was automatically converted to "Invoice 1/5." Fiscal did not notice the conversion and did not recognize the invoices as accounts payable.

Accounts Receivable for County Contributions

The issue was whether receivables should be recorded for the county funding for the quarter invoiced after the fiscal year end closed (7/1-9/30). The District's position was that quarter was not yet due from the county and was instead related to the next fiscal year. The county contributions receivable for FY 06 and 07 were recorded using the same method used on the FY 04 and 05 financial statements which did not produce a finding.

Accrued Interest

GASB 37 says that it is "Eliminating the requirement to capitalize construction-period interest for governmental activities." It was not clear that capitalizing construction period interest would now be prohibited.

Cash Balances in the Construction Account

The construction account was an interest bearing account, not used for operating expenses and open for more than two years. It was listed on the same line as the District's other interest bearing account.

SEFA

Of the 70 contracts listed on the SEFA, three were missing.

CORRECTIVE ACTION PLAN

Accounts Payable

Eighty-nine percent (89%) of the error was related to one non-recurring issue – the closing of the construction account.

Beginning with the fiscal year ended 6/30/09, the District changed its method of tracking accounts payable. The GAAP indicator field in the State accounting system is now used to identify all accounts payable and reduce the chance for understatement.

Accounts Receivable for County Contributions

The District will change the accounting method for the FY 04 and 05 county contributions receivable to the new method for FY 06 and 07 and subsequent years.

SEFA

The District is employing the auditor's technique of cross-checking contract revenue to the SEFA schedule to reduce the likelihood that any contract is missing from the schedule.

FINDING 2007S-2

Approval for some expenditure transactions was inappropriate or missing.

The approval process is a significant internal control procedure used to reduce or eliminate the risk of errors or other irregularities. Several expenditure transactions in our sample lacked evidence of proper approval. Some transactions were not approved at all, while others were approved by the staff member who initiated the transaction or by the fiscal staff rather than the program manager. Although not individually significant, the quantity and frequency of missing or inappropriate approvals raises the risk that errors or other irregularities could occur and not be detected or corrected.

RECOMMENDATION 2007S-1

We recommend that the District evaluate and strengthen the approval process for all expenditure transactions to ensure that proper segregation and internal controls are in place to reduce the risk of errors or other irregularities.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

The majority of these issues were related to recurring monthly payments that were not routed to the related division for approval of the cost allocation. An example was the monthly cell phone bill. Other invoices were allocated among programs based on a percentage that had not been updated. The program allocation should have been reviewed and approved more frequently, and more invoices should have been routed to the appropriate supervisors. All transactions were approved by either the finance officer or his assistant.

Duties have always been segregated so that any adjusting entry or payment required the action of at least two employees: the data entry clerk and the finance officer or assistant. The accounting system will allow the data entry clerk to enter or revise transactions, but not release them. The finance officer or his assistant cannot enter nor revise transactions in the system and can only release them.

CORRECTIVE ACTION PLAN

The District has reviewed its cost allocations on the invoices in question to make sure the allocations are up-to-date. A monthly summary of cell phone activity is now routed to the divisions. Other transactions that were only approved by the purchasing staff and financial officer are now also approved by the appropriate supervisor. The District is also revising its purchasing policy and procedure to make it clear when and at what level supervisory approval is required.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2007F-1

CFDA Title: All

CFDA #: All

Federal Award #: All

Program Year: SFY 06 and SFY 07

Federal Agency: All

Compliance Requirements: A – Allowable Costs

Questioned Costs: Undetermined

Significant omissions existed in the federal financial schedule due to poor internal controls.

The District's management is responsible for designing and implementing internal controls over financial reporting to ensure the integrity and accuracy of the information presented. During our initial review of the District's Schedule of Expenditures of Federal Awards, we identified \$675,000 that had been omitted from this schedule.

The magnitude of this omission indicates that internal controls are not properly designed or implemented. In addition, this omission would have caused the financial reporting to be misleading and required a qualified opinion had it not be discovered during the audit and corrected.

RECOMMENDATION 2007F-1

We recommend that the District review and strengthen the internal controls over the preparation of the federal financial schedule to ensure the integrity and accuracy of the financial information presented.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

See agency's response to Finding 2007S-1

FINDING 2007F-2

CFDA Title: All

CFDA #: All

Federal Award #: All

Program Year: SFY 06 and SFY 07

Federal Agency: All

Compliance Requirements: A – Allowable Costs

Questioned Costs: Undetermined

Approval for some expenditure transactions was inappropriate or missing.

The approval process is a significant internal control procedure used to reduce or eliminate the risk of errors or other irregularities. Several expenditure transactions in our sample lacked evidence of proper approval. Some transactions were not approved at all, while others were approved by the staff member who initiated the transaction or by the fiscal staff rather than the program manager. Although not individually significant, the quantity and frequency of missing or inappropriate approvals raises the risk that errors or other irregularities could occur and not be detected or corrected.

RECOMMENDATION 2007F-2

We recommend that the District evaluate and strengthen the approval process for all expenditure transactions to ensure that proper segregation and internal controls are in place to reduce the risk of errors or other irregularities.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

See agency's response to Finding 2007S-2

FINDING 2007F-3

CFDA Title: Supplemental Nutrition Program for Women, Infants, and Children (WIC)

CFDA #: 10.557

Federal Award #: HC472900 and HC557300

Program Year: October 1, 2004 to September 30, 2006; October 1, 2006 to September 30, 2007

Federal Agency: U.S. Department of Agriculture

Compliance Requirements: A – Allowable Costs

Questioned Costs: Undetermined

Benefits under the Women, Infants, and Children (WIC) program can be issued in excess of allowable amounts in error.

The WIC program provides benefits to clients by issuing checks that are redeemed at participating retailers. Each check is valid for a specific period (usually one week); however, the District can adjust the end dates which can result in checks having overlapping periods. We noted several changes made for one client that were not explained or documented and could have resulted in the client receiving more benefits during the specific time period than allowed under program rules.

Although changes to the end date on benefit checks may be appropriate, no controls exist to ensure that these changes are intended, documented, and properly approved by the supervisor.

RECOMMENDATION 2007F-3

We recommend that the District establish procedures to document and approve any changes to the periods covered by WIC program benefit checks.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

1. The staff will receive additional training on check issuance during an upcoming staff meeting. This training will be reflected in the minutes of the staff meeting.
2. The following Panhandle Health District WIC procedure has been adopted and will be reviewed with all staff.

Allowable WIC Program Benefits

The WIC checks are to be issued in one month increments allowing clients 30 full days to use them. The computer will automatically end the checks in less than one month from the issue date in the following circumstances:

1. Child turns five years old
2. Postpartum woman's certification ends
3. Breast-feeding mom's certification ends

In any circumstance other than one of the three listed above in which you issue checks less than 30 days from the start date until the end date, you must obtain supervisory approval. You will note the approval in the nursing notes.

FINDING 2007F-4

CFDA Title: Supplemental Nutrition Program for Women, Infants, and Children (WIC)

CFDA #: 10.557

Federal Award #: HC472900 and HC557300

Program Year: October 1, 2004 to September 30, 2006; October 1, 2006 to September 30, 2007

Federal Agency: U.S. Department of Agriculture

Compliance Requirements: E – Eligibility

Questioned Costs: Undetermined

Eligibility data for some WIC clients is incomplete or missing.

Eligibility for WIC benefits includes determining residency and nutritional need, which must be documented and retained in the client's file. We selected a sample of 34 WIC client files and identified three (9%) that did not have all documents and data necessary to determine or support eligibility. One client file was missing residency information, another file did not show the signature of the client on the assessment form, and one file could not be located.

These instances of incomplete and missing data raise the risk that eligibility was not properly determined, as well as the potential for federal questioned costs and program sanctions.

RECOMMENDATION 2007F-4

We recommend that the District establish review procedures and other measures to ensure that eligibility data for WIC clients is properly completed and retained.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

Three files were found with errors.

File 1 – Missing Residency Information

CORRECTIVE ACTION PLAN

1. The WIC coordinator reviews a sample of charts quarterly using a tool that includes residency information. Should there be a problem noted during chart review, it will be addressed with the staff member making the error.
2. WIC procedure 4-B-5 is located in the WIC manual. The procedure was and will continue to be reviewed with staff members at WIC staff meetings on an as needed basis.

File 2 – Missing Signature of the Client on the Assessment Form

CORRECTIVE ACTION PLAN

Not applicable at present as the 24-hour diet assessment form was discontinued in October 2007.

File 3 – One File was not Located

CORRECTIVE ACTION PLAN

1. Clinical files have been reorganized for improved efficiency.
2. WIC procedure I-C-2 is located in the WIC manual. The procedure was and will continue to be reviewed with staff members at WIC staff meetings on an as needed basis.

AGENCY RESPONSE



PANHANDLE HEALTH DISTRICT

Healthy People in Healthy Communities

8500 N. ATLAS ROAD
HAYDEN, IDAHO 83835
<http://www.phd1.idaho.gov>

March 11, 2010

Mr. Don Berg
Legislative Services Office
Statehouse
PO Box 83720
Boise, Idaho 83720-0054

Dear Mr. Berg:

We are providing this response in connection with your audit of the financial statements of Public Health District 1, aka, Panhandle Health District, as of fiscal years ending June 30, 2006 and 2007. We appreciate the professionalism of your staff in the conduct of the audit and the advice they have given our office. We can assure you we are taking the appropriate steps to address the findings.

FINDING 2007S-1

Significant errors and omissions existed in the financial statements and notes due to poor internal controls.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

Accounts Payable:

The accounts payable understatement of \$590,000 includes \$527,303 related to closing the construction account and recording the depreciable asset for the Hayden Building. The building project was considered complete at 6/30/06 and the decision was made to record the asset at its full cost and consider the project closed. The final payments of \$527,303 should have been recorded as a liability instead of a reduction in the construction cash account balance.

Other accounts payable were left off the schedule because the field used to identify the invoice was automatically converted to a least common denominator. All transactions after June 30 were downloaded and reviewed for invoice descriptions prior to June 30. The download process converted some data fields to make them not appear to be fiscal year end invoices. For example, an invoice entered into the state accounting system as "Invoice 6/30" when exported into the Excel payables schedule was automatically converted to "Invoice 1/5". Fiscal did not notice the conversion and did not recognize the invoices as accounts payable.

Accounts Receivable for County Contributions:

The issue was whether receivables should be recorded for the county funding for the quarter invoiced after the fiscal year end closed (7/1 - 9/30). The District's position was that quarter was not yet due from the county and was instead related to the next fiscal year. The county contributions receivable for FY 06 and 07 were recorded using the same method used on the FY 04 and 05 financial statements which did not produce a finding.

Accrued Interest:

GASB 37 says that it is "Eliminating the requirement to capitalize construction-period interest for governmental activities". It was not clear that capitalizing construction period interest would now be prohibited.

Cash Balances in the Construction Account

The construction account was an interest bearing account, not used for operating expenses, and open for more than two years. It was listed on the same line as the District's other interest bearing account.

SEFA

Of the seventy contracts listed on the SEFA, three were missing.

CORRECTIVE ACTION PLAN**Accounts Payable**

89% of the error was related to one non-recurring issue: The closing of the construction account.

Beginning with the fiscal year ended 6/30/09 the District changed its method of tracking accounts payable. The GAAP indicator field in the state accounting system is now used to identify all payments subsequent to fiscal year end that were related to the prior year. This will make it easier to identify all accounts payable and reduce the chance for understatement.

Accounts Receivable for County Contributions

The District will change the accounting method for the FY 04 and 05 county contributions receivable to the new method for FY 06 and 07 and subsequent years.

SEFA

The District is employing the auditor's technique of cross checking contract revenue to the SEFA schedule to reduce the likelihood that any contract is missing from the schedule.

FINDING 2007S-2

Approval for some expenditure transactions was inappropriate or missing.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

The majority of these issues were related to recurring monthly payments that were not routed to the related division for approval of the cost allocation. An example was the monthly cell phone bill. Other invoices were allocated among programs based on a percentage that had not been updated. The program allocation should have been reviewed and approved more frequently and more invoices should have been routed to the appropriate supervisors. All transactions were approved by either the Finance Officer or his assistant.

Duties have always been segregated so that any adjusting entry or payment required the action of at least two employees: the data entry clerk and the finance officer or assistant. The accounting system will allow the data entry clerk to enter or revise transactions, but not release

them. The finance officer or his assistant cannot enter nor revise transactions in the system and can only release them.

CORRECTIVE ACTION PLAN

The District has reviewed its cost allocations on the invoices in question to make sure the allocations are up to date. A monthly summary of cell phone activity is now routed to the divisions. Other transactions that were only approved by the purchasing staff and financial officer are now also approved by the appropriate supervisor. The District is also revising its purchasing policy and procedure to make it clear when and at what level supervisory approval is required.

FINDING 2007F-1

See agency's response to Finding 2007S-1

FINDING 2007F-2

See agency's response to Finding 2007S-2

FINDING 2007F-3

Benefits under the Women, Infants, and Children (WIC) program can be issued in excess of allowable amounts in error.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

1. The staff will receive additional training on check issuance during an upcoming staff meeting; this training will be reflected in the minutes of the staff meeting.

2. The following Panhandle Health District WIC procedure has been adopted and will be reviewed with all staff.

Allowable WIC program benefits

The WIC checks are to be issued in one month increments allowing clients 30 full days to use them. The computer will automatically end the checks in less than one month from the issue date in the following circumstances:

1. Child turns 5.
2. Post partum woman's certification ends.
3. Breastfeeding Mom's certification ends.

In any circumstance other than one of the 3 listed above in which you issue checks less than 30 days from the start date until the end date, you must obtain supervisory approval. You will note the approval in the nursing notes.

FINDING 2007F-4

Eligibility data from some WIC clients is incomplete or missing.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

3 files found with errors:

File 1- Missing residency information

CORRECTIVE ACTION PLAN

1. The WIC coordinator reviews a sample of charts quarterly using a tool that includes residency information. Should there be a problem noted during chart review, it will be addressed with the staff member making the error.

2. WIC procedure 4-B-5 is located in the WIC Manual. The procedure was and will continue to be reviewed with staff members at WIC staff meetings on an as needed basis.

File 2- Missing signature of the client on the assessment form*

*The form that the auditor is referring to is the 24-hour diet assessment which is no longer used.

CORRECTIVE ACTION PLAN

Not applicable at present as the 24-hour diet assessment form was discontinued in Oct of 2007.

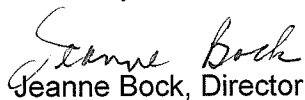
File 3-One file was not located.

CORRECTIVE ACTION PLAN

1. Clinical files have been reorganized for improved efficiency.
2. WIC procedure 1-C-2 is located in the WIC Manual. The procedure was and will continue to be reviewed with staff members at WIC staff meetings on an as needed basis.

Thank you again for the work of your staff. We look forward to the next audit and your assessment of our improvement.

Sincerely,


Jeanne Bock, Director

APPENDIX

HISTORY

The following is a chronological history of the basic health care services that the State has provided to the public.

- 1907 – The State Board of Health and counties that had local boards of health were statutorily authorized joint responsibility for public health.
- 1947 – A public health district law was enacted that permitted two or more counties to establish a public health district. Participation in the forming of the health districts was voluntary.
- 1970 – The legislature established a law that created seven mandatory public health districts. In the Panhandle Health District (I), the counties designated were Benewah, Bonner, Boundary, Kootenai, and Shoshone. The director of the State Department of Health and Welfare was designated fiscal officer for the various districts.
- 1976 – Legislative intent was expressed that the health districts are not State agencies, and that they be recognized as authorized governmental entities.
- 1986 – Idaho Code was amended to allow district health departments to promulgate rules and regulations without the State Board of Health's approval.
- 1993 – The legislature clarified the need for health districts to use the Idaho Administrative Procedures Act for fees and rules.

PURPOSE

The District provides basic health services as set forth in Idaho Code, including public health education, physical health, environmental health, public health administration, and all things required for the preservation and protection of the public health and preventive health.

STATUTORY AUTHORITY

The statutory authority for the District is found in Idaho Code, Title 39, Chapter 4.

ORGANIZATION

The District is supervised by a seven-member board appointed by the county commissioners of the counties served. Board members serve for staggered five-year terms, and are reimbursed \$75 per working day, plus all necessary travel expenses. The board appoints a director to administer and manage the day-to-day activities of the District. Physicians provide medical consulting services to the District.

The District is organized into five major sections:

1. Administration – Provides day-to-day managerial guidance for the District as well as administrative, personnel, fiscal, and maintenance for all divisions, sections, and satellite facilities throughout the District.
2. Public Health/Family and Community Health – Provides services such as immunizations, family planning, tuberculosis, sexually transmitted disease control, epidemiology, school health, adult and children health services, and general preventive health services.
3. Environmental Health/Public Health Preparedness/ Information Technology – Provides control over various types of waste, water supplies, pollution, and food protection; prepares and organizes response plans for potential bioterrorism or weapons of mass destruction events; plans and operates the computer systems.

4. Home Health – Provides skilled nursing, health maintenance, and senior companion services to patients confined to their homes.
5. Health Promotion – Provides services under the Women, Infants, and Children (WIC) program, the Child Care Resource Center (CCRC), Day Care, Millennium Fund, and various other population-based programs that promote healthy lifestyles.

The District has a central office in Hayden, and four satellite offices in Bonners Ferry, Kellogg, Sandpoint, and St. Maries. An organizational chart is attached.

STAFFING

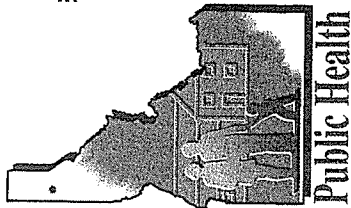
At the end of fiscal year 2007, the District's payroll consisted of 144.8 full-time equivalents. One full-time equivalent equals 2,080 hours per year.

FUNDING

Financing for the District comes from county contributions; General Fund appropriations; federal, State, and private contracts; fees; donations; and charges to recipients of services.

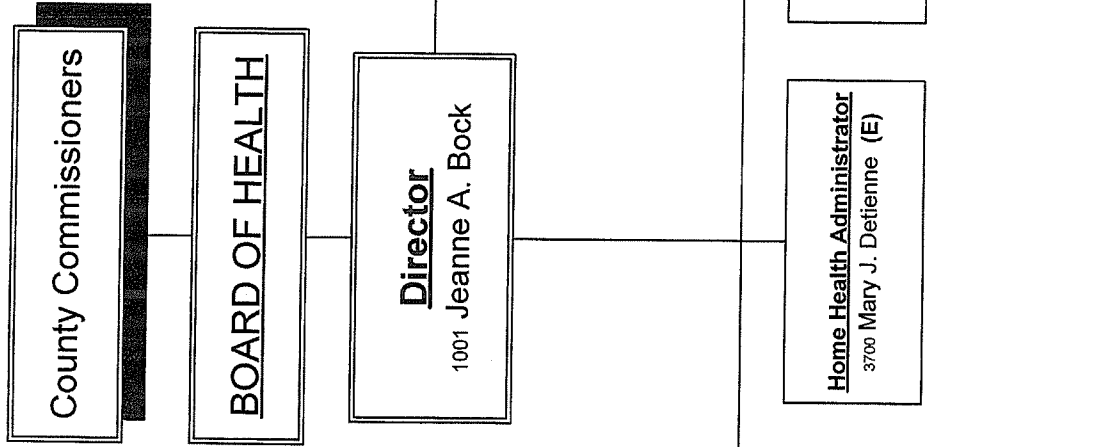
The amount included in the District's General Fund appropriation request is determined by Idaho Code, Section 39-425. The Idaho Legislature sets one General Fund Appropriation for the State's seven public health districts. The appropriation is allocated among the districts according to a formula with the following weights and factors: 20% population (3 yr. average); 10% poverty rate (3 yr. average); 60% county contribution; 10% public assistance numbers. The General Fund appropriation received may be more or less than the amount requested.

The county contribution is determined by Idaho Code, Section 39-424. The total contribution is allocated among the counties according to a formula with the following weights and factors: 70% population; 30% taxable market value.



anhandle Health District

*Healthy People in
Healthy Communities*



Jeanne Bock 11/3/08
Director's Approval / Date

November 3, 2008